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# NEPGA Position Statement on Regional Energy Infrastructure Expansion

The New England Power Generators Association (NEPGA)[1] is a fuel-neutral trade association representing a diverse fleet of power generation resources. NEPGA appreciates the efforts of the New England governors to work collaboratively on energy issues, which are inherently regional. NEPGA's mission is to support the development and refinement of competitive electricity markets that drive needed investments, support reliability and provide the most competitive prices for consumers. This mission dovetails well with the stated aims of the New England governors.

NEPGA supports energy infrastructure developed on market economics, not subsidies, with construction and operational risks borne by investors, not consumers. Such competitive electricity markets have provided tremendous benefits to consumers including competitive electricity prices, reliable operations and dramatic improvements in environmental emissions. Any resource that meets environmental, siting and other regulations should be allowed to compete. These resources succeed or fail on their own merits to provide the most competitive products to serve demand and support reliability. Unlike in the "good old days" of utility-built generation, consumers are protected from financial losses, including possible bankruptcy, when resources cannot compete in the dynamic energy markets.

It is based on the grounding of these principles that NEPGA has concerns with how the states propose to move forward as laid out in their most recent statement. Any effort that picks winners and losers between resources – whether natural gas generators or provincially-owned large scale hydro resources – creates significant price risk for consumers, threatens future energy investments in the states and undercuts electricity producers who have collectively invested tens of billions of dollars in New England. NEPGA recognizes that ensuring sufficient energy supplies in the region is critical; however, that investment should be done on a market basis, and state intrusion into those investment decisions raises serious concerns.

***Natural Gas Pipeline Expansion***

The New England governors' proposal to finance intra-regional natural gas pipelines through the ISO New England Regional Network Service rate on consumer electricity bills raises many questions. As a radical new concept, the proposal could face tremendous legal, regulatory and cost sharing hurdles. NEPGA is principally concerned that by underwriting the delivery of additional natural gas, electricity consumers will be subsidizing natural gas power plants in the region to the detriment of technology sources that may be otherwise economic, and thereby undercut the highly competitive marketplace.

[1] The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

Natural gas generation has played a much larger role to serve consumer demand in recent years providing environmental and cost benefits along the way. At the same time, pipeline capacity into the region has remained essentially stagnant and LNG imports have dropped. Clearly improvements must be made on coordination between the natural gas and electricity markets as well as to ensure that the market mechanisms exist to provide reliability of supply. New England is now, however, seeing the market respond. Four major pipeline expansions are competing against each other to come into the region and other supply options, such as LNG contracting and CNG storage, have increased their activity; although even the most aggressive pipeline construction schedule targets operation for 2017.

Because of this lag, short-term challenges exist until natural gas supplies catch up to the current usage, but generators will continue to meet their reliability commitments. New England benefits from a diverse generation fleet with many fuels and technologies powering the supply consumers depend on. With the region's energy supplies in a time of transition, states should continue to support the market principles that have benefited consumers over the last 15 years.

***Electric Transmission Expansion***

New England has seen a dramatic increase in investment in transmission infrastructure over the last several years. These investments to update aging lines and reduce price congestion have caused the transmission and distribution portion of electricity consumer bills to be larger than the energy supply portion for the first time in memory. Transmission expansion is now being examined to bring in resources from outside the region. What is unsaid in the governors' statement, but noted by many in their press release, is an intention to use this initiative to subsidize the interconnection of provincially-owned, large scale Canadian hydropower into New England. NEPGA opposes the selection of one or a small set of resources for "favored" status that undercuts otherwise economic resources located within the region that have invested capital at their own risk without government or ratepayer subsidies to provide environmentally responsible, reliable and competitively-priced electricity for consumers.

Provincially-owned large scale hydropower has long been a participant in the New England electricity market without any U.S. subsidies. NEPGA has deep concerns with the unleveled playing field that already exists as a result of these historic rate-based generation resources. Recognizing that there are such legacy existing interconnections to the rate-base Canadian generation, what cannot be abided is, in addition to the subsidization that these utilities receive in their provinces, any similar payment from U.S. consumers that imperils private investments and the jobs, tax-base and reliability benefits they provide. NEPGA is concerned that the procurement contemplated by the New England governors would do exactly that.

Going beyond market-based programs such as renewable portfolio standards (RPS) and the regional greenhouse gas initiative (RGGI) to shape the portfolio of resources that serve consumer demand unnecessarily harms the private capital competing at its own risk that has been fostered by the restructured electricity markets. These private generator investments support thousands of jobs within the New England states at power plants competing against each other in the market every day. New England can't afford to put these jobs and these investments at risk through this type of government intrusion into the market.